United Nations S/2002/80

Security Council

Distr.: General
17 January 2002

Original: English

Report of the Secretary-General on the United Nations Transitional Administration in East Timor

For the period from 16 October 2001 to 18 January 2002

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1338 (2001) of 31 January 2001, by which the Council decided to extend the mandate of the United Nations Transitional Administration in East Timor (UNTAET) until 31 January 2002. In that resolution, the Council stressed the need for a substantial international presence in East Timor after independence and requested me to make detailed recommendations in this regard, in close consultation with the East Timorese people and in coordination with other relevant international and bilateral actors.

2. The present report describes developments in East Timor since my report of 18 October 2001 (S/2001/983 and Corr.1). It is divided into two parts. The first contains an assessment of the progress made in the implementation of UNTAET's mandate provided by the Security Council under resolutions 1272 (1999) and 1338 (2001). The second, pursuant to the statement by the President of the Security Council on 31 October 2001 (S/PRST/2001/32), proposes measures to consolidate that progress, including detailed planning for an integrated United Nations mission that would be deployed in East Timor after independence.

II. Progress towards independence

3. A milestone on the road towards East Timor's independence was established when the Security Council, in its presidential statement of 31 October 2001 (S/PRST/2001/32), endorsed the proposal of the Constituent Assembly that independence be declared on 20 May 2002. This has not only provided a goal line by which a satisfactory level of progress should be achieved but also marks a new starting point, from which the international community and an independent East Timor will need to forge a new kind of partnership.

4. Over the past three months, important political advances were made, and steady gains achieved, in the complex task of establishing a public administration for East Timor. The security environment has continued to improve, and policies are being implemented that favour economic and social development. At the same time, the comparative fragility of the political foundations of this new country, its very limited pool of professional and administrative expertise, lack of strong independent security mechanisms and nascent state of economic development mean that East Timor will continue to require significant assistance from the international community well after independence, in order to ensure stability and realize the potential for progress that has been generated over the past two years.

A. Political developments

5. Since my last report, the Constituent Assembly has reviewed and approved most of the new draft Constitution. The four thematic committees of the Constituent Assembly held three weeks of public hearings from 19 October, which included submissions

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by representatives of the government, civil society, the church, and experts from UNTAET and international organizations. The plenary of the Assembly began to debate the draft Constitution on 3 December. Its review process has been extended to 25 January 2002, five weeks beyond the original 90-day deadline. UNTAET, international and local non-governmental organizations and church representatives have monitored the proceedings. The United Nations High Commissioner for Human Rights has also offered suggestions regarding Constitutional safeguards for human rights.

6. The draft Constitution under consideration by the Assembly would establish a unitary democratic state, based on the rule of law and the principle of separation of powers. Representative organs would be elected through direct and universal suffrage. The draft proposes a President, who would also be commander in chief of the Armed Forces, a Prime Minister, who would head a Council of Ministers, and a Parliament. The President's powers would be limited by Parliament, and the President would be required to consult the latter, as well as the Council of State and a Supreme Council on Defence and Security, before declaring a state of emergency or siege.

7. Pursuant to the Constituent Assembly's resolution in support of direct presidential elections, adopted on 28 November 2001, the Transitional Administrator announced that the election for East Timor's first President will take place in April 2002. Core staff of the Independent Electoral Commission, who remained in place after the 30 August 2001 election, undertook pre-planning for such elections, while continuing to strengthen East Timorese capacity.

8. The Assembly is also considering transforming itself into a legislative body, as originally recommended by the National Council in February 2001, in an arrangement whereby its 88 seats would be maintained for a first term, and later reduced to between 52 and 65. However, opposition parties and some civil society organizations have called for new legislative elections either concurrently with the presidential elections or soon after independence.

9. Political parties decreased their field activities after the 30 August 2001 election, to focus on the drafting of the Constitution. A number of opposition parties came under pressure from local senior political figures to lower their party flags and cease activities in the districts following the election. A supporter of the political opposition group CPD-RDTL was murdered in Baucau in late November, following clashes between martial arts groups.

10. The Council of Ministers continued to supervise the work of the East Timor Public Administration and took decisions on a wide range of matters. In particular, the Council approved the national budget, poverty reduction projects and credit schemes for low-income groups, as well as initiatives in public health, education, finance and the draft arrangements for the Joint Border Committee. In addition, the Council began a series of open meetings in each of the 13 districts, to promote direct contact between the Government and the population.

11. With regard to relations with Indonesia, the third meeting of the East Timor-Indonesia Joint Border Committee took place in Dili from 19 to 21 November 2001. As the first visit by an Indonesian delegation since the visit of former President Wahid in February 2000, this represented a significant step in building relations between the two neighbours. High-level talks are scheduled to be held in Indonesia at the end of February 2002. These discussions offer an opportunity to resolve key outstanding bilateral issues, including the return of cultural artifacts, archives and records, continued access of East Timorese students to Indonesian institutes of higher learning, a protocol on police cooperation, and arrangements on the establishment of postal links, on border crossings for customary purposes, and on regulated markets. In this connection, it has been agreed that a joint reconnaissance of the border will be undertaken in February 2002, with a view to establishing principles and techniques to delineate the border.

B. Development of the East Timorese Public Administration

12. The development of an effective professional administration is crucial to ensuring lasting stability in East Timor. The provision of resources and expertise by the international community has been, and will continue to be, essential for this process.

13. During the reporting period the East Timorese Public Administration continued to play an increasing role in running the daily affairs of the country. By the end of 2001, the East Timorese Public Administration had recruited 9,633 East Timorese civil servants,

representing 91.2 per cent of the total budgeted positions. The education and health sectors are the largest public service employers, representing almost two thirds of the approved civil service staffing. At the district level, national staff are taking responsibility for administrative tasks, as the bulk of international staff have withdrawn and those that remain are focused upon capacity-building and training.

14. The East Timorese are working to strengthen their administrative structures through, inter alia, the activities of an Inspector General's Office. An East Timorese Adviser on Equality, who reports directly to the Chief Minister, assumed her functions on 1 November 2001; the Office of the Adviser, which subsumed UNTAET's Gender Affairs Unit, will support the formulation and implementation of government policies on equality between women and men, develop appropriate strategies and methodologies, and promote coordination and cooperation on these issues within the central government and at the district level.

15. With regard to the collection of revenue, over 180 customs officers are now present in Dili, Oecussi and on the border with West Timor, providing customs, immigration and quarantine services, with a limited number of international staff continuing to provide on-the-job training. The first prosecution for tax offences is now before East Timorese courts and a system of monitoring tax exemptions for non-governmental organizations has been established. Over the past three months, East Timorese customs auditors were able to identify and recover some $340,000 in fines, penalties and revenue, an amount comparable to the current annual payroll budget for the Customs Service. The Customs Service collected $17 million in customs duties and taxes from March 2000 to December 2001.

Justice

16. There are still few experienced and trained East Timorese judges, public defenders and prosecutors, and support services for the courts remain limited. Courts and investigators are hampered by the difficulty in obtaining translations to and from English, Portuguese and the many local languages.

17. Nevertheless, a heavy workload is demanded of the various elements of the justice system. The Office of the Deputy Prosecutor for Ordinary Crimes continues to direct investigations into more than 480 criminal cases for offences committed since November 1999. District Courts delivered verdicts in 139 trials in 2001. The Legal Aid Service/Public Defenders Unit, which includes East Timorese public defenders in Baucau, Dili and Oecussi and two international mentors, provided legal advice to over 1,000 people in 2001. Clients included those in pre-trial detention, those facing ordinary and serious crimes charges, and disputants in family and land rights claims. The Service has also established teams to make regular visits to the prisons in Baucau, Dili and Gleno. However, public defenders still require intensive training, continuing legal education and technical support.

18. The prison population increased by nearly one third over the past six months, from 231 in July to 302 in mid-December 2001, reflecting a rise in criminal activity, particularly violence by delinquent groups. Additional staff were hired to permit 24-hour staffing of Gleno and Dili prisons, and training for prison staff continued.

Foreign affairs

19. During the reporting period, the Ministry of Foreign Affairs and Cooperation reached its full complement of personnel. Bilateral support permitted its staff to undertake a programme of diplomatic training and internships in foreign embassies. To date, 30 members of the Ministry have been trained in 14 countries.

20. The East Timorese Government took formal steps towards accession to a number of international instruments and organizations upon independence, including decisions to sign the Treaty of Amity and Cooperation in South-East Asia, and to seek observer status in the Association of South-East Asian Nations (ASEAN) and membership in the Community of Portuguese-Speaking Countries.

East Timor Defence Force

21. The first East Timor Defence Force infantry battalion was provisionally organized on 26 October 2001, at Metinaro in Dili district. On 15 January 2002, the unit moved into a base at Los Palos in Lautem district that was formerly used by the peacekeeping force, while work begins to develop a permanent facility in the vicinity of Baucau. After further training through June 2002, the battalion will begin operations

by assuming responsibility in the Lautem district. The maritime component of the Defence Force relocated to Port Hera, in Dili district, and formally received two Albatross-class patrol boats in January 2001. It is scheduled to become operational in the early part of 2002, but training will continue.

22. The progress that has been achieved in training is the result of effective and coordinated bilateral assistance. Such a level of support, together with extensive capital investment, will need to be maintained up to and beyond independence, in order to permit the gradual downsizing and ultimate withdrawal of United Nations peacekeepers.

East Timor Police Service

23. The United Nations civilian police (CivPol) continues to maintain law and order while training the East Timor Police Service. Peter Miller (Canada) assumed the functions of Civpol Commissioner in November 2001.

24. The East Timor Police Service has reached a current strength of 1,453 police officers, 126 of whom have been placed at command-level positions. A further 250 police cadets are undergoing training in the Police College in Dili. Donor countries have organized overseas and in-country training programmes, in areas ranging from criminal investigation and maritime policing to police management and crowd control. East Timor Police Service officers are working in middle management, administrative and investigative positions in the districts and sub-districts. A pilot project began in Manatuto district on 1 November 2001 in which Service officers undertake all police functions for one day every week, with monitoring and guidance from Civpol. Relations with the Indonesian police are being strengthened, with a protocol on communication between the two forces now in place and one on cross-border crimes cooperation under consideration.

25. However, the development of the East Timor Police Service continues to be constrained by the lack of resources. The current budget can only satisfy initial training, salary and deployment, however, and the Service suffers from a critical shortage of communications and transport resources. It also lacks the means to meet recurring costs for the maintenance of vehicles, weapons and other equipment and for the purchase of consumable items.

Public information

26. Public information has represented an important means of strengthening civic awareness and reducing political tensions. Following the August 2001 elections, Radio UNTAET and TVTL broadcast several hours of live debate from the Constituent Assembly daily, with reports and interviews in Tetum, Portuguese, English and Bahasa Indonesia. In October, a special refugee radio programme of Fondation Hirondelle (Switzerland) began daily Bahasa Indonesia language broadcasts on Radio UNTAET which is rebroadcast on the Indonesian State's radio network in West Timor, to provide accurate information to refugees on conditions in East Timor. A draft proposal for radio and television to operate as an independent broadcasting corporation has won significant backing from the new Government and from civil society, but will require support from donor nations and private foundations.

Independence celebrations

27. An array of events are being planned by a national steering committee to celebrate East Timor's independence, on the occasion of its formal declaration on 20 May 2002. These activities, which will include a music festival, a trade exposition and international sporting events, are intended to mark the historic nature of this occasion, and to highlight the identity and attributes of the new nation.

C. Creation of a stable security environment

Security

28. International security assistance to East Timor continues to play a crucial role in promoting local and regional stability.

29. Stability of the border with Indonesia is a key element of future security. Since my previous report to the Council (S/2001/983), there have been few sightings of militia along the Tactical Coordination Line (the informal boundary agreed to by UNTAET and the Indonesian armed forces pending formal demarcation of the border), but it is considered that hard-line militia may still pose a long-term threat. Furthermore, as indicated in my earlier report (see S/2001/983, para. 28), the presence of illegal markets in the vicinity of the Tactical Coordination Line is a source of increasing concern. While East Timorese

traders use these markets to avoid the taxes that would be levied on products imported legally, the involvement of suspected militias gives this a political and potentially criminal dimension. Smuggling on the seas off the north and south coasts has increased since the onset of the wet season.

30. Long-term stability along the border will require substantial progress in East Timor's discussions with Indonesia regarding a comprehensive border regime. These are likely to include issues relating to the special circumstances of the Oecussi enclave, which is expected to be covered by a special administrative and economic arrangement in the Constitution.

Refugee returns

31. Security in East Timor must also continue to be underpinned by a series of processes that together address the legacy of violence that was committed in 1999. These include the return of refugees, support for reconciliation, and effective prosecution of serious crimes.

32. The rate of refugee returns accelerated in spite of misinformation and continuing, if decreased, intimidation in the camps. Nearly 7,000 refugees returned to East Timor over that period, bringing returns in 2001 to 17,900, and total returns to 192,000. An estimated total of 60,000-75,000 refugees remain in camps in West Timor. While the majority of returnees continue to be accepted back into their communities, with few reported problems, individuals suspected of involvement with pro-autonomy militia or political groups continue to risk harassment. Continued monitoring and protection of returnees are needed to ensure a high rate of returns. In almost all districts, safe houses have been established to protect returnees rejected by their communities, although they are not widely used.

33. Border reconciliation meetings and visits to both East and West Timor increased, to encourage further returns. On 5 November 2001, Xanana Gusmão attended a major reconciliation meeting in Batugade, on the East Timor side of the border, between Manatuto and Aileu community leaders and refugees from those districts. Xanana's subsequent official visit to West Timor from 26-29 November, during which he met with key West Timor government and military officials, militia representatives, pro-autonomy leaders and refugees, was a further step towards building confidence between East Timor and the neighbouring Indonesian province, and should add to the present momentum towards reconciliation and refugee returns.

34. It appears that the most significant deterrents to further returns are now economic concerns, rather than security issues and militia intimidation.

35. Although the World Food Programme recently doubled the rice component of the reintegration package, increased levels of food aid and other assistance may be required to meet the needs of those returning to heavily depopulated areas. In November, the Indonesian Government started paying a repatriation incentive of 750,000 rupiahs ($75) per family, with a bonus of 250,000 rupiahs ($25) for returning before Christmas.

36. Additionally, the question of pension payments for East Timorese formerly employed by the Indonesian Government in its civil, military and police service, appears to be a factor in delaying the return of some 8,500 families. The United Nations is working towards the establishment of a special fund to compensate for loss of employment and/or pension benefits; significant donor support is required for this fund, which will benefit about 30,000 former civil servants, some 21,000 of whom have already returned to or remained in East Timor. The responsibility for coordinating these issues will be transferred to the East Timorese Administration prior to independence.

37. Local settlement activities in West Timor began in late November, with the building of housing units for some 6,500 of the East Timorese refugees wishing to remain in the area. In November 2001, the United Nations and the Indonesian Government launched a Joint Appeal which includes UNHCR/UNDP plans to support the Government of Indonesia in the local settlement of 3,010 refugee families in East Nusa Tengara, outside West Timor, through contributions towards housing and economic livelihood packages for refugees, and proportional support to host communities.

Commission for Reception, Truth and Reconciliation

38. Work continues towards the establishment of the Commission for Reception, Truth and Reconciliation, currently supported by an Interim Office based in Dili. National Commissioners were nominated by an independent panel in December 2001, following

several rounds of consultations with communities in all 13 districts in East Timor and with pro-autonomy supporters in West Timor. Candidates are now being reviewed for appointment as commissioners at the regional level, and premises are being selected for the establishment of six regional offices. However, further funding is urgently required if the Commission is to become operational; to date, only $1 million of the $3.8 million required for the Commission has been pledged, and only about one third of this has been received.

Serious crimes

39. Some progress has been made with the prosecution of serious crimes. The Office of the General Prosecutor, now headed by East Timorese officials, has to date filed 33 indictments charging 83 individuals with crimes committed between 1 January and 25 October 1999. These indictments include 11 charges of crimes against humanity. However, progress in the courts is slow, owing to limited human and financial resources, as noted above.

40. The selection and management of staffing and resources provided to the Serious Crimes Unit has been enhanced in order to meet key goals for 2002, and, as of January 2002, teams of investigators are being based in several districts, to promote greater efficiency and to create a closer relationship with the communities in which the investigations are undertaken. It is anticipated that, over the course of 2002, these changes should permit a significant increase in the number of indictments over and above the 10 priority cases of crimes against humanity which were identified. These tasks can be accomplished only with full funding of approved positions from assessed funds, as well as continued support by donors for additional specialized expertise and resources.

41. To date, the Special Panel for Serious Crimes of the Dili District Court has heard 15 cases. Three appeals are pending. Judgement was passed on 11 December 2001 in the "Los Palos case", concerning operations of the Tim Alfa militia in Lautem district in 1999; this was the first trial for crimes against humanity to take place in East Timor, and the first example worldwide of application of laws originally formulated for the International Criminal Court. Ten men received sentences ranging from 4 to 33 years for crimes of torture, murder, forced deportation and persecution. A second Special Panel for Serious Crimes began preliminary hearings in November 2001, but no additional trials can take place until additional international judges are identified and resources are found for the administrative support for the Special Panels.

42. The Indonesian Prosecutor General's Office and the Justice Ministry announced that 30 judges for the Ad Hoc Human Rights Court had been selected in October-November 2001. Furthermore, it has been reported that President Megawati has signed a decree appointing 18 of the 30 judges recommended by Komnas Ham/Supreme Court. I welcome these promising developments; the completion of this process is of key importance for the development of strong relations between East Timor and Indonesia.

43. Meanwhile, in accordance with the Memorandum of Understanding signed in April 2000 between my Special Representative and the Indonesian Prosecutor General, a number of requests have been transmitted to the latter to question persons of interest and to receive documentary evidence, together with several arrest warrants issued in East Timor. However, no positive response has been received from the Indonesian authorities to date. The United Nations Committee against Torture, at its 27th session in November 2001, recommended that Indonesia fully cooperate with UNTAET by providing mutual assistance in investigations or court proceedings in accordance with the Memorandum of Understanding signed in April 2000. It is urgent that this problem be resolved as a matter of priority to avoid this issue becoming a potential irritant between the two countries.

Internal security

44. The reported crime rate in East Timor remains low. However, there has been a rise in local security unofficial groups since the August election, some of which comprise elements of the former Falintil force that were not recruited into the new East Timor Defence Force. Students and youths staged a number of demonstrations concerning education and employment opportunities.

45. In order to address these problems, UNTAET is exploring regulatory options to curb unsanctioned security activities. In addition, the Administration is attempting to improve conditions for ex-Falintil members.

46. Domestic crime in East Timor is of special concern, with drastic increases in reports of violence against women and children. It is important that multisectoral interventions with a variety of social actors are undertaken to address this serious social problem. At the request of East Timorese authorities and communities, a series of workshops on domestic violence was launched in selected pilot areas of Baucau and Manatuto districts at the end of October, aimed at developing an understanding of the extent of the problem and seeking solutions in the local community.

D. Economic and social progress

47. The promotion of a peaceful environment both feeds into, and depends upon, viable economic development. While stable and democratic government and the rule of law favour prosperity, a strong economy can in turn generate civic commitment and social harmony. Requirements for economic progress include investment in systems of health and education, and in physical infrastructure; and support for key economic sectors, including careful development of natural resources while safeguarding the environment.

48. The growth of East Timor's gross domestic product is estimated at 18 per cent in 2001, with annual inflation estimated to be less than 3 per cent. Some uncertainty in the economy prior to the 30 August election has now been resolved and economic activity continues to expand. Following a low level of imports in July and August 2001, taxable imports rebounded in the months of September and October. However, overall, the economy in 2002 is expected to contract following the reduction in the international presence in East Timor, including by the United Nations.

49. During the Oslo Donors Conference, held on 11 and 12 December 2001, forward projections for external financing requirements in the three years after independence were presented. Participating countries stressed the need for fiscal prudence and for close attention to the issue of sustainability, as crucial to building upon the achievements to date.

50. The Planning Commission was established in September 2001 to develop a National Development Plan to orient core government activity and externally financed support after independence. The planning team is working closely with the Ministry of Finance as the medium-term fiscal framework is finalized to ensure that it is achievable within short-term financing constraints and sustainable over the longer term. The Commission is coordinating working groups in each sector, which have completed draft status reports, and it will carry out a countrywide consultation and finalize the National Development Plan by independence.

51. A detailed long-term financial strategy for public revenues and expenditures will be developed in the months prior to independence, after current uncertainties about petroleum developments in the Timor Sea have been resolved and the Government has considered expert legal and financial advice regarding the implications for East Timorese revenues. East Timor aims to achieve a growth rate of about 5-6 per cent over a 25-year period.

52. The single greatest obstacle to secure investment in the country is the lack of a workable long-term Land and Property Code which would accommodate claims dating from the Portuguese and Indonesian administrations in East Timor and traditional property rights.

1. Education

53. A functional system of basic education, accessible to all, is crucial for long-term development. Rehabilitation of the educational system has advanced rapidly. More than 240,000 primary and secondary students entered school in early October 2001 for the new academic year, under the instruction of nearly 6,000 teachers. Some 5,000 students are attending the National University of East Timor, which was re-opened in November 2000. More than 700 primary schools, 100 junior secondary schools, 40 pre-schools and 10 technical colleges are now functioning in East Timor. Of these, 530 schools — or more than 2,700 classrooms — have received basic rehabilitation, representing some 99 per cent of the school classrooms that were in need of such remedial action after the violence of September 1999. Particular priority is being given to students at the primary and secondary levels, who represent one third of the population; investment is also continuing in technical and vocational training. The focus should now turn to strengthening teacher training and the curriculum. A teacher training programme has been launched, including training both at the National University and on the job.

2. Health

54. With the gradual departure of international professionals, East Timorese health workers are taking on increased responsibilities at national and district levels. More than 800 national health staff have been employed, with a further 394 positions under recruitment. The Ministry of Health recruited 21 international doctors to support clinical services, and five district health management officers to build the capacity of the district health management teams. In 2002, the Health Department will focus on reinforcing basic services, and improving the referral system and the supply of secondary medical and surgical facilities.

3. Infrastructure

55. Progress continued in the restoration of public buildings and road and port repairs, drawing upon substantial support from the Trust Fund for East Timor and the Consolidated Fund for East Timor. Between October 2001 and January 2002, 5 government buildings were rehabilitated, 13 were under construction, 8 were put out to tender and 2 are in documentation.

56. Progress also continued towards the establishment of the port, airport and power authority as fully independent entities. At Comoro Airport in Dili, primary navigation aids were replaced, runway lighting installed, the airport terminal expanded, and security brought in line with international standards. An international tender was launched to select the provider of public sea transport between Dili and Oecussi. The restoration of navigational aids and improvements to the pier at Dili port were completed by November 2001.

57. The power supply in Dili improved markedly in late November. Although problems remain in the distribution line due to the rainy season, a steady power supply was achieved over Christmas and in the New Year for Dili and the districts. Consumers in the capital received bills in October; this generated a number of complaints and refusals to pay, particularly by Timorese customers who had not previously received bills. The Head of the Power Utility is planning a series of meetings with religious, community and traditional leaders to explain and discuss the electricity billing system, and a public information campaign to inform the general public is being developed.

58. Rehabilitation of 17 rural power stations, through bilateral assistance is expected to be completed by the end of February 2002. A further 14 rural power stations are in a tender-evaluation stage, and work is expected to start in March 2002.

59. Since my last report, a land dispute mediation programme has begun, and records have been completed for the identification of all public buildings in East Timor. Some $1.3 million in commercial rents for public properties throughout East Timor were collected during the period January to November 2001.

60. Through a community empowerment project, funds are disbursed through community elected councils to support community grants, as well as loans to support economic activities. These have enabled the construction of wells, installation of water piping, and construction of bridges and roads.

4. Development of natural resources

61. Over the past two months, East Timorese officials have reached an understanding with the petroleum companies operating in the Bayu-Undan field in the Joint Petroleum Development Area of the Timor Sea, on a gas and fiscal package that would allow the Bayu-Undan gas development in the Timor Sea to proceed. East Timor's Council of Ministers endorsed the understanding, which is now under consideration by the Australian Government. This agreement is an important opportunity for East Timor to derive significant benefit from its national resources; the revenue to East Timor from gas development of the Bayu-Undan field is expected to be over $1 billion over the 17-year life of the project. This is in addition to the considerable revenues expected from the liquids phase of the Bayu-Undan project, which is already proceeding.

62. The Government began a campaign to promote eco-tourism within the country, making use of audio-visual presentations and photographs, and emphasizing the principles of sustainability and protection of natural and cultural resources.

63. Technical environmental guidelines were published for extraction of construction materials, fuel and oil handling, hazardous waste management, and municipal waste management. An environmental impact assessment is required to regulate future inward investment and assess the potential environmental impact of tourism, the oil and gas industry, and mining.

5. Agriculture and fisheries

64. Agriculture continues to be the mainstay of the economy of East Timor for over 90 per cent of the population. The core objectives of the Ministry of Agriculture and Fisheries are the restoration of productive assets, rehabilitation of dilapidated irrigation schemes, provision of simple agricultural hand tools to farmers, vaccination campaigns of livestock, improvement of fishing activities, and forestry. Crucial bilateral contributions in this sector include technology to assist the Ministry in developing information and high-quality maps on land use and land use potential, agricultural production and trends, as well as fishing gear valued at $3 million, including 300 outboard engines.

65. With regard to pisciculture and commercial fishing, two national fish hatcheries are being restored and local fish supplies, which have doubled since last year, are expected to return to the 1998 level by mid-2002. To ensure that inshore resources are not over-exploited there is a need to expand offshore into East Timor's Exclusive Economic Zone where at present Indonesian flagged vessels fish; negotiations regarding the maritime boundaries between Indonesia and East Timor are expected to begin in the coming months. A four-hectare section of the national fishing harbour at Hera in Dili has been restored to accommodate an ice-works and an offshore fishing fleet, which will be established through a TFET grant. Appropriate fishery regulations and management plans, to be developed with bilateral assistance, will provide a framework for rapidly expanding coastal fisheries and offshore investment, based on the National Fisheries Strategic Plan and scientific information.

6. Preparing for downsizing of UNTAET

66. As indicated in my previous report (S/2002/983), the continuing downsizing of UNTAET will have a significant impact upon the local economy. The Planning Commission completed its assessment of the scale, timing and economic effect of the international drawdown, and recommended a series of measures to limit that impact. These include an information strategy directed towards local United Nations employees, the speedy establishment of a legal framework to support the private sector, improved access to information about skilled vacancies and a short-term job creation programme.

III. Successor mission

A. Transition to an independent government

67. As reflected above, while significant progress has been made, much remains to be done before the objectives originally identified by the Security Council can be achieved. This will require continued presence of a peacekeeping operation both before and after independence, although its components will be reconfigured to reflect new political and security realities; the mission is now being reshaped to better respond to the tasks that may be entrusted to the United Nations after independence.

68. Several elements are key to a smooth transition: the phased drawdown of international staff; the incorporation within government of essential common services and the transfer of United Nations assets supporting those services; the transfer of some residual functions of government from UNTAET; the development of the essential legislative and procedural machinery for the operation of government at independence; and the timely recruitment of civilian advisers for the post-independence government. In this context, I welcomed the Security Council's endorsement of my recommendations for a continued and appropriately reduced United Nations integrated mission in the post-independence period (S/PRST/2001/32). Timely action by the Council is and will continue to be essential to ensure that early planning and preparations bear fruit, and the United Nations position itself for a smooth and seamless transition to a post-independence role.

69. Steady progress has been made in the adjustment of UNTAET's size and configuration to reflect more closely the post-independence role of the United Nations, as endorsed by the Security Council (see S/PRST/2001/32 of 31 October).

70. In November, the stable security environment enabled UNTAET to commence a reduction of its military component that will see at the time of independence a United Nations peacekeeping force of some 5,000 troops. The current strength of UNTAET is 7,212 troops, more than 1,700 under its authorized deployment of 8,950. As downsizing has progressed, the peacekeeping force has been reconfigured to enable it to continue to promote stability both along the border and internally throughout East Timor. The contingents

previously based in Ermera and Manatuto have been repatriated, and military duties in these districts are now carried out by the contingent based in Dili. By the end of January 2002, the battalion now based in Lautem will take over duties in Oecussi, and the battalion currently based in Baucau will extend its current operations to cover Lautem. By May 2002, a single engineering group is expected to assume the responsibilities of two engineer battalions now in the mission area. Similarly, CivPol are now deployed at a strength of 1,273 officers, and will be reduced further to 1,250 by independence.

71. UNTAET is working together with the East Timorese Public Administration to ensure that immediately upon independence the Government concludes with the United Nations a status-of-forces agreement which addresses the role of the military component and its relationship with the East Timor Defence Force. The latter is of critical importance, given that the Defence Force will be under the command and control of the Government. Similar legal arrangements will also need to be agreed and implemented with regard to the performance of police functions by CivPol and East Timor Police Service.

72. Reduction of civilian staffing assisting the East Timorese Public Administration is under way, while bearing in mind the need to avoid serious disruption to basic government services and to the task of establishing an effective administration. In November, the Ministers of the East Timor public administration were asked to prepare phased downsizing plans for their international establishment; by mid-January, the plans were largely complete and implementation was well under way. When the downsizing is completed, approximately 200 international staff and 60 United Nations Volunteers will remain in place until the date of independence, representing a 75 per cent reduction from the original authorized strength of this component.

73. Senior officials in the East Timorese Public Administration are assessing how the Administration can assume responsibility for a number of residual functions of government that are still being discharged by UNTAET. These include the provision of legal advice and drafting, defence policy and operations, police policy and operations, public broadcasting and electoral planning. Similarly, the Administration will have to consider how it can assume responsibility for any new institutions and functions of government, both judicial and executive, that emerge from the Constitution once that has been finalized.

74. Building an effective administration has involved the development not only of core functions of government, but also of essential common services that underpin the operations of government. The East Timorese Public Administration is gradually developing and taking on the responsibility for these services but is hampered by its limited infrastructure and the shortage of technical expertise. It remains reliant on UNTAET for services such as telecommunications and registry, while services such as hardware and software support for its computers are only weakly developed.

75. The East Timor Administration remains reliant on UNTAET assets in order to operate at a basic level. The international community will need to explore how it can help to address these requirements after independence to ensure that the Administration's capacity is not so diminished as to create instability.

B. Plan for the successor mission

76. The plan for the successor mission provides for a continued and appropriately reduced United Nations peacekeeping mission in the post-independence period, necessary to ensure the stability of East Timor, as outlined in previous reports (S/2001/719, paras. 52-60; and S/2001/983, paras. 59-80). The mission would comprise a military component, a civilian police component, and a small civilian component, which would include a group of civilian experts that would provide crucial assistance to the emergent East Timorese Administration. In addition, the mission would include substantive civilian staff to support my Special Representative; to assist in serious crimes investigations and proceedings and national reconciliation efforts; and to ensure human rights mainstreaming throughout the work of the mission.

77. According to the guiding principle identified by the Security Council in its presidential statement (S/PRST/2001/32), the successor mission would ensure that all operational responsibilities are fully devolved to the East Timorese authorities as soon as is feasible without jeopardizing stability and progress made, in the context of a continuing process of assessment and downsizing over a period of two years starting from independence.

78. In order to ensure a coordinated approach to planning, as endorsed by the Security Council, at Headquarters, planning continues to draw upon consultation within the Integrated Mission Task Force. In the field, my Special Representative has established integrated planning teams for the military and police components in the field, which include East Timorese and United Nations military, police and civilian personnel. Planning for the civilian component continues to take place in the Transition Team Core Group. A proposed framework for the successor mission to UNTAET is attached.

1. Support to the post-independence public administration

79. The need for assured funding for some 100 key functions within the administration (S/2001/983), for periods ranging from 12 to 24 months after independence, was confirmed by a skills audit by UNDP, which was completed in late-October 2001. The functional requirements specified by UNDP as vital to the viability of government, political stability, and basic service provision largely correspond to those that were identified by UNTAET's earlier planning exercise, and subsequent refinements by the East Timorese Ministers have been minor.

80. Based upon extensive and ongoing consultations with donors and with other relevant actors, it has been determined that the only way that these needs can be met on an assured basis is through their inclusion in the assessed funding of the successor mission. If it becomes clear that donors are prepared to make specific guarantees to meet these key needs for up to two years as required through bilateral funding or other arrangements, planning for the successor mission would be adjusted accordingly.

81. These functions fall within four main areas of government administration: 42 per cent cover financial institutions, in the areas of treasury, revenue service, budget, public banking, administration, customs, and central government services; 14 per cent are placed within the legal system, in the areas of the judiciary, clerks of court, public defence, legislative assembly and legal reform, public prosecution, finance and administration, registry and notary, land and property and prisons; 27 per cent are in internal systems, in the areas of the Council of Minister's secretariat, Chief Minister's office, Ministry of Internal Administration, Inspector General's office, Ministry of Economic Affairs and Planning, Ministry of Agriculture and Fisheries, Ministry of Education, Ministry of Finance, and Ministry of Labour and Social Services; and 17 per cent are in essential services in the areas of water and sanitation, power, roads, housing, ports, and health.

82. UNTAET, UNDP and the East Timorese Ministries are now finalizing detailed job descriptions. These positions will be advertised in the second half of January or the beginning of February, with the caveat that their establishment will depend upon the General Assembly's approval (A/56/685, para. 15), to permit the selection and recruitment of personnel prior to the commencement of the successor mission. Selection criteria will focus on the candidates' expertise, experience relevant to developing countries and the ability to transfer knowledge.

83. UNTAET and UNDP have prepared a concept for the management structure, which would seek to ensure ownership by the East Timorese Government, while taking into account the need for accountability by the United Nations for the use of assessed funding.

84. The East Timorese Government will also require international assistance in support of social and economic development and poverty reduction. The ongoing UNDP study has identified approximately 200 such functions as crucial to the effectiveness of the new State (as opposed to UNTAET's preliminary estimate of 135). Voluntary or bilateral arrangements are being sought to meet this requirement.

85. To ensure the division of responsibility among principal players who will assist East Timor in the areas of social and economic development and poverty reduction, UNTAET has been consulting with the United Nations agencies in East Timor to ascertain what kind of assistance they can provide. In addition, my Special Representative recently wrote to all heads of relevant United Nations system entities, seeking their support in principle to help fill the 200 civilian technical assistance posts, which are also being circulated to Member States.

2. Military component

86. The role of the successor mission's military component will be to provide continued support for the external security and territorial integrity of East Timor, while handing over its responsibilities to the East Timor Defence Force and relevant public administration departments in a timely and coordinated

manner. In coordination with other mission components, it will continue to facilitate negotiations on border delimitation that are integral to the development of national structures and policies for border security and control.

87. The military component would include a two-battalion group, with a sector headquarters, in the western sector. The Oecussi enclave would retain a battalion group. In the rest of East Timor (former central and eastern sectors) the military component would consist of one mobile battalion and one light infantry battalion. In the border area, the force would continue to take measures to deter unlawful armed groups and ensure security, pending the full development of an East Timorese border security and control capability. The force would also provide security for United Nations personnel and property.

88. Further reductions of the military component are envisaged over two broad stages. The first stage could begin once normalization of the border activity is achieved. This will require that two conditions be met: agreement between the Government of Indonesia and the Government of East Timor on the location of the border and its subsequent demarcation; and the establishment of an adequate national border security and control system. These conditions could permit withdrawal of the military component from the immediate vicinity of the border, constituting a reduction to a two-battalion force of 2,500-3,000 troops.

89. Under the current plan for the development of the East Timor Defence Force, it is envisaged that its second battalion would be operational by late 2003. However, this schedule could potentially be accelerated, depending upon provision of funds by donors for necessary capital investments. Complete withdrawal of the military component would take place when the ETDF becomes fully capable of responding to external threats.

90. At the time of independence, the military component will also include 120 military observers, whose number may vary slightly during some stages of the downsizing of the rest of the military component, to maintain a capability to monitor the security situation.

3. Civilian police component

91. As reported in October 2001, the civilian police component, led by an international police commissioner, will continue to provide executive policing and to support the development of the East Timor Police Service through the transfer of skills and timely and coordinated handover of responsibilities. At the time of independence, it is expected that approximately 1,800 officers will be serving in the East Timor Police Service.

92. Current planning for the development of the East Timor Police Service envisions that it may ultimately comprise 2,600 officers, including 180 officers with specialized training in crowd management. Should the Service be given the responsibility for border security, an additional border service component of 200 officers would be created. East Timorese officers would be co-located with international CivPol, who would provide on-the-job training.

93. As East Timorese officers are certified and their district or specialized unit meets the standards for accreditation, executive responsibility would be transferred on a case-by-case basis, and the role of the corresponding international police would revert to a technical advisory function. A timetable for this process has been developed, based upon a survey of population distribution, crime statistics, complexity of tasks to be performed, and the level of training of East Timorese officers; the first such handover of responsibility is planned to take place in May 2002. It is projected that all specialized units, districts and headquarters will have met the certification and accreditation requirements by January 2004. Until that time, the international civilian police and the East Timor Police Service would perform as a joint police force, under the common command and control of my Special Representative.

94. Subject to the timely achievement of certification targets, it is projected that the civilian police strength will be reduced by an average of 5 per cent every month, leaving about 100 officers by January 2004, who would have purely advisory functions.

IV. Financial aspects

95. The General Assembly, in its resolution 56/249 of 24 December 2001, appropriated the amount of $458 million gross for the operation of UNTAET for the period from 1 July 2001 to 30 June 2002, at the monthly rate of $20 million gross for the period from 1 January to 30 June 2002. Should the Council decide to

extend the mandate of the Transitional Administration, as recommended in paragraph 104 below, the cost of maintaining UNTAET will be limited to the monthly rate approved by the General Assembly.

96. My proposal for the disposition of UNTAET's assets is currently under preparation. The proposals will take into account the criteria and guidelines approved by the General Assembly and would include any transfers of surplus assets to the East Timorese Government. I intend to submit this report to the General Assembly for its consideration at the second part of its resumed fifty-sixth session.

97. As at 15 December 2001, unpaid assessments to the Special Account for UNTAET for the period since its inception from 31 December 2001 amounted to $211.8 million. The total outstanding assessed contributions for all peacekeeping operations amounted to $1,979.1 million.

V. Observations and recommendations

98. The United Nations engagement in East Timor has been predicated on the need to ensure the success of the new State by maintaining security, and by building a sustainable administrative and economic base. As the day of independence draws near, the people of East Timor and the international community have much to be proud of in all that has been accomplished to date — in laying the political foundations for a new State, in providing the elements of the practical machinery that it requires, in successfully addressing challenges to security and in setting out the basis for economic development.

99. But at a time when new demands arise before the international community, it is essential that its commitment be met in full, and that the tasks which have been so well advanced be brought to fruition. Close partnership between East Timor and the international community will remain essential for the continued stability and development of the country.

100. Throughout the United Nations engagement in East Timor, the international community's efforts to promote peace have been predicated upon the interlinked nature of the requirements for stability. Efforts to promote political reconciliation and address security risks were complemented by wide-ranging support for the fragile new administrative structures and assistance with development for appropriate economic and social policies.

101. This kind of wide-ranging approach will be equally essential in the period after independence. Mindful of the principles identified in my report entitled "No exit without strategy: Security Council decision-making and the closure or transition of United Nations peacekeeping operations" (S/2001/394) and endorsed by the Security Council, it is important that international assistance to East Timor revert to a normal development model as soon as feasible. In this context, it will be essential that all elements of the United Nations system work in a coordinated manner, together with bilateral assistance, if the people and Government of East Timor are to realize their aspirations for full independence. In this connection, it should be recalled that a consolidated list of capacity-building requirements for which bilateral assistance is essential has been compiled for consideration by Member States.

102. It is clearly essential to the democratic development of the state that the East Timor Defence Force be properly funded and that its operations be sustainable under the budget of the new administration. The development of the East Timor Defence Force and the East Timor Police Service, which will enable the disengagement of the United Nations military component and civilian police component without in itself creating instability, will not occur unless Member States support an adequate and sustainable capital programme to equip both organizations.

103. The development of East Timor's economy will demand ongoing partnership between the Government, the international community and the private sector. In this regard, I would like to encourage the business community, both large multinational corporations and small companies, to consider investing in this country as it assumes its independence, and to help to build a market of the future.

104. Bearing in mind the calendar of transition and the changes that independence will bring, I recommend that the Security Council at this stage extend the UNTAET mandate until the date of independence, that is, until 20 May 2002. I intend to re[illegible] prior to that date to offer to the Security Council further specific proposals for the mandate and structure for a follow-on peacekeeping operation after independence.

105. Finally, I wish to express my deep appreciation to the Member States that have provided unwavering support to this mission. I also wish to pay a warm tribute to Mr. Vieira de Mello, my Special Representative, and to all the men and women of UNTAET and its partner organizations. The United Nations has cause to be proud of what they have accomplished.

Annex

Proposed framework for the successor mission to UNTAET

Goal

The successor mission will provide assistance that is crucial for the stability of East Timor and the viability of its emergent public administration, assist in the development of law enforcement agencies in East Timor operating in accordance with international human rights standards; and contribute to the maintenance of external and internal security.

Operational principles

- Timely transfer. All operational responsibilities will be fully devolved to the sovereign East Timorese authorities as quickly as possible, while ensuring the strengthening of stability and progress made so far.
- Mainstreaming human rights. Human rights, with particular consideration for gender and vulnerable persons issues, will form an integral part of all programmes. The mission will provide human rights training, advise the Government on the human rights situation and on effective mechanisms to guarantee full respect for human rights.

Implementation

The mandate will be implemented through three programmes each containing several objectives:

I. Stability, democracy and justice

I.1 Provide international civilian assistance for core functions in public administration, particularly in the areas of finance, banking and justice, which are crucial to the political stability and democratic functioning of government in the immediate post-independence period.

I.2 Assist the East Timorese police and judiciary in the conduct of serious crimes investigations and proceedings.

II. Internal security and law enforcement

II.1 Support the development of the East Timor Police Service, ensuring transfer of skills and timely handover of responsibilities, documentation and assets from CivPol to East Timor Police Service and relevant public administration departments.

II.2 Provide executive policing in cooperation with the East Timorese police and relevant public administration departments.

III. External security

III.1 Provide continued support for external security and territorial integrity of East Timor, and ensure timely handover of responsibilities from the military component to the East Timor Defence Force and relevant public administration departments.

III.2 Assist in the development of national border security and control structures and policies, including facilitation of negotiations with neighbouring countries on border delimitation.

Timeline

The mission is expected to achieve its core mandate in around two years provided the fundamental conditions for implementation continue to prevail.